



“NTPC Limited
Q2 FY19 Earnings Conference Call”

November 02, 2018

MANAGEMENT: MR. SAPTARSHI ROY – DIRECTOR (HR)

MR. ANAND KUMAR GUPTA – DIRECTOR (COMMERCIAL)

MR. S.K.ROY – DIRECTOR (PROJECTS)

MR. P.K.MOHAPATRA – DIRECTOR (TECHNICAL)

MR. PRAKASH TIWARI – DIRECTOR (OPERATIONS)

MR. SUDHIR ARYA – CHIEF FINANCIAL OFFICER



A Maharatna Company

*NTPC Limited
November 02, 2018*

Moderator: Good day, Ladies and Gentlemen, and welcome to the Q2 FY2019 Earnings Conference Call of NTPC Limited, hosted by Motilal Oswal Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjay Jain from Motilal Oswal Securities. Thank you, and over to you Sir.

Sanjay Jain: Yes. Thank you. So on behalf of Motilal Oswal Securities, I welcome you all to the NTPC conference call to discuss the second quarter results. It gives me great pleasure to welcome the management of NTPC. We will start with opening remarks from the CFO, and then there will be a Q&A session. So now, I hand over the call to Mr. Sudhir Arya, CFO of the company. Sir, please.

Sudhir Arya: Yes. Good evening to everybody. I welcome you all to the Q2 FY 2019 concall of NTPC Limited. I have with me Shri Saptarshi Roy, Director (Human Resources), Shri Anand Kumar Gupta, Director (Commercial); Shri Prakash Tiwari, Director (Operations) and Shri P.K. Mohapatra, Director (Technical). I also have with me Shri Anil Kumar Gautam, Executive Director (Finance), Mrs. Sangeeta Bhatia, Executive Director (Finance) and other key members of NTPC team.

Today, the Company has announced the unaudited financial results for the second quarter of FY19. The Key Performance Highlights for the quarter and half-year ended 30 September 2018 have already been disclosed on both the stock exchanges.



A Maharatna Company

NTPC Limited
November 02, 2018

Operational Highlights for Q2/H1 FY 2018-19

- In Q2 FY19, NTPC's standalone gross generation increased by 0.95 Billion Units to 65.99 Billion Units registering an increase of 1.46% over the corresponding previous period. Gross Generation of NTPC Group increased by 1.38 Billion Units to 73.13 Billion Units, registering an increase of 1.92% during this period.
- In H1 FY19, NTPC's standalone gross generation increased by 5.74 Billion Units to 135.20 Billion Units, registering an increase of 4.44% over the corresponding previous period. Gross Generation of NTPC Group increased by 6.69 Billion Units to 150.04 Billion Units, registering an increase of 4.67% during this period.
- The installed capacity of NTPC on standalone basis and for the Group as a whole is 46100 MW and 53651 MW respectively as on 30 September 2018.
- Commercial capacity of 800 MW was added during Q2 FY19, at Kudgi. With this, the commercial capacity of NTPC on standalone basis and for the Group as a whole has become 45300 MW and 52191 MW respectively as on 30 September 2018.
- For H1 FY19, 3 coal stations of NTPC were among the top 10 performing stations in the Country in terms of PLF. Sipat with PLF of 90.60%, Vindhyachal with 89.48% and Talcher Thermal with 88.74% were ranked 5th, 8th and 9th respectively. In total 6 stations of NTPC clocked over 85% PLF.
- During H1 FY19, PLF of coal stations was 75.29% as against the National Average of 60.67%.



A Maharatna Company

NTPC Limited
November 02, 2018

- We have suffered loss of generation due to grid restrictions.
- ✓ For coal based stations the loss was 10.22 BUs in Q2 FY19 and 17.77 BUs in H1 FY19.
- ✓ Similarly, for the gas based stations the loss was 6.94 BUs in Q2 FY19 and 12.58 Bus in H1 FY19.

- The generation loss on account of fuel supply constraints in the coal based stations was 1.84 BUs in Q2 FY19 and 3.38 BUs in H1 FY19.

Mr. S.K. Roy, our Director (Projects) has joined the con call now. We welcome him.

- To continue, NTPC Ltd. had participated in the 500 MW tender floated by Uttar Pradesh New and Renewable Energy Development Agency (UPNEDA) for grid-connected Solar projects. In the Reverse Auction held on 10 October 2018, NTPC has participated for 160 MW Solar capacity and has won the entire capacity bid by it, comprising 140 MW at a levelised tariff of Rs.3.17/unit and 20 MW at a levelised tariff of Rs.3.21/unit, applicable for 25 years. The above 160 MW of solar projects shall be set up by NTPC and shall add to the installed capacity of NTPC.

- NTPC RE stations recorded generation of 757 Million Units in H1 FY19, as against 573 Million Units in corresponding previous period.

- During the Q2 FY19, from Pakri-Barwadih coal mine, approximately 1.14 Million Metric Tonnes (MMT) of coal has been excavated. Total 5.44 MMT coal has been excavated cumulatively till September 2018.

- Coal production has commenced from Dulanga coal block, approximately 3.2 lakh cu.m of overburden has been removed and 4000 tonnes of coal extracted until September 2018.



A Maharatna Company

*NTPC Limited
November 02, 2018*

- Our company had submitted Request for Qualification (RFQ) for development of 1200 MW clean coal based power project on Build, Own and Operate (BOO) basis at Duqm in Oman in June 2018.
- NTPC has qualified in the Request for Pre-Qualification (RFQ) for development of 600 MW PV solar project on Build-Own-Operate (BOO) basis in west of Nile in Egypt was submitted in February' 2018.
- NTPC has signed a Memorandum of Agreement with IRCTC for setting up a manufacturing facility for packaged drinking water at Simhadri Super Thermal Power Project.

Environmental Management- Initiatives for preserving Environment:-

- For compliance of new norms and control of SO_x, Flue Gas Desulphurisation Systems (FGD) are under various stages of implementation in 63.82 GW of capacity. The first FGD has been commissioned and operationalised at Vindhyachal. Erection of FGD at Bongaigaon is in advanced stage. FGD system package for 24.08 GW, comprising 40 Units through bulk tenders amounting to Rs. 10,700 crore have been accorded. Award of FGD system packages for 28.55 GW capacity is under process and is expected to be completed by November 2018.
- NO_x control in coal-fired plants is presently achieved by controlling its production through adopting best combustion practices. NO_x reduction technologies are modification of combustion system, installation of Selective Non-Catalytic Reduction (SNCR), Selective Catalytic Reduction (SCR) or combination of these. In order to comply with new norms, all units will require installation of appropriate DE-NO_x system, based on the emission level. 9 SCR and 3 SNCR pilot tests are under



A Maharatna Company

*NTPC Limited
November 02, 2018*

execution by 8 vendors in order to assess performance on high ash Indian coal and are likely to be completed by May 19.

- Further, as part of its commitment to the environment, NTPC has taken a new initiative to utilise agro residue for power generation. The utilisation of agro residue based bio-fuel for power generation will not only reduce in-field crop residue burning resulting in lower air pollution, but will also reduce carbon footprint of coal based power plants. Up to 10% agro residue, based bio-fuel co-firing with coal has been successfully demonstrated at NTPC Dadri and will be operational before end of December 2018.

Financial Highlights

- Gross Sales for Q2 FY19 is Rs. 22,211.95 crore as against corresponding quarter of previous year Gross Sales of Rs. 19,536.59 crore, registering an increase of 13.69%. On half-year basis, there is an increase of 14.16% in the Gross Sales i.e. from Rs. 39,231.98 crore in H1 FY18 to Rs. 44,789.09 crore in H1 FY19.
- Total Income for Q2 FY19 is Rs. 22,485.96 crore as against corresponding quarter of previous year Total Income of Rs. 19,960.35 crore, registering an increase of 12.65%. On half-year basis, there is an increase of 11.91% in the Total Income i.e. from Rs. 40,502.28 crore in H1 FY18 to Rs. 45,325.94 crore in H1 FY19.
- PBT for Q2 FY19 is Rs. 2,634.68 crore, as against Rs. 3,069.69 crore in the corresponding quarter of previous year. On half-year basis, PBT is Rs. 5,645.81 crore as against Rs. 6,306.80 crore in H1 FY18.
- PAT for Q2 FY19 is Rs. 2,426.02 crore as against Rs. 2,438.60 crore in the corresponding quarter of previous year. On half-year basis, PAT is Rs. 5,014.16 crore as against Rs. 5,056.77 crore in H1 FY18.



A Maharatna Company

*NTPC Limited
November 02, 2018*

An update on various other financial activities:

The regulated equity as on 30 September 2018 was Rs. 51,993.44 crore.

Fund Mobilization

- Average cost of borrowing for H1 FY19 was 6.79% as compared to 6.99% in H1 FY18. The decrease in is on account of lower rate of interest on new borrowings.

CAPEX

- In H1 FY19, we have incurred a CAPEX of Rs. 10,018.31 crore as against Rs. 9,062.79 crore in H1 FY18. The CAPEX by the other group companies during H1 FY19 was Rs. 841.89 crore. Thus, the total group CAPEX for the H1 FY19 was Rs. 10,860.20 crore.
- The Capital outlay for FY19 has been estimated at Rs. 22,300 crore for NTPC.

Now, let me discuss the operational performance for the Q2 FY19.

FUEL:

Coal:

- During the H1 FY19, Materialisation of coal against ACQ was 97% as against 94.97% in H1 FY18.
- Coal supply during H1 FY19 was 83.14 MMT, this comprises 82.95 MMT of Domestic Coal and 0.19 MMT of imported coal. The coal supply during corresponding previous period was 76.21 MMT, with 76.05 MMT of Domestic Coal and 0.16 MMT of imported coal.
- Coal consumption during H1 FY19 was 85.28 MMT, this comprises 85.09 MMT of Domestic Coal and 0.19 MMT of imported coal. The coal consumption in corresponding previous period was 82.21 MMT, with 82 MMT of Domestic Coal and 0.21 MMT of imported coal.



A Maharatna Company

*NTPC Limited
November 02, 2018*

Gas:

- The gas consumption during H1 FY19 was 4.37 MMSCMD (i.e. Million Metric Standard Cubic Meter per Day) as against 5.33 MMSCMD in H1 FY18.
- The gas consumption of H1 FY19 procured under APM plus PMT mechanism was 2.93 MMSCMD, under Non-APM gas 0.62 MMSCMD and under Spot RLNG was 0.82 MMSCMD.

Coal Mining

- Cumulative expenditure of Rs. 5,482.86 crore has been incurred on the development of coal mines till 30 September 2018. The total expenditure incurred in H1 FY19 was Rs. 419.11 crore.

Now, I will briefly touch upon some of NTPC Group Companies

- NVVN, our trading subsidiary, transacted 8.82 Billion Units during the H1 FY19 as against 7.93 Billion Units during the H1 FY18, registering an increase of 11.24 %. Units transacted during H1 FY19 include 2.58 Billion Units of solar bundled power, 2.36 Billion Units traded through Bilateral Arrangements, 2.13 Billion Units under cross border trading and 1.75 Billion Units traded through power exchange.
- NVVN has signed Power Purchase Agreement with Bangladesh Power Development Board (BPDB) in September 2018 for supply of 300 MW power.
- During H1 FY19, we have received dividend of Rs. 8.30 crore from our subsidiaries and Joint Venture Companies, of this Rs.3.50 crore is received from Utility Power Limited and Rs.4.80 crore from PTC India Limited as against Rs. 36.10 crore received in the corresponding period of previous year.



A Maharatna Company

*NTPC Limited
November 02, 2018*

NTPC continues to win laurels and awards in various fields, major awards received in Q2 FY19 are:

- NTPC Ranked 1st in Independent Power Producers and Energy Traders Globally in PLATTS Top 250 Global Energy Ranking-2018.
- NTPC has been awarded the Midday Infra Icon award for the implementation of Contract Labour Information and Management Systems.
- Department of Scientific and Industrial Research, GoI has recognised NETRA as “In House R&D Unit”. This recognition has come to NTPC for the first time and has entitled NTPC to claim various benefits like Custom duty exemption, Central Tax exemption, Integrated Tax exemption, etc.
- NTPC has won the prestigious Association for Talent Development 2018 award.
- NTPC Ramagundum, Vindhyachal and Kawas were recognized by CII as an “Excellent Energy Efficient Unit” in Thermal and Gas Power Sector.

These were some of the highlights that Management wanted to share before the question and answer session. Thank you.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Subhadip Mitra from JM Financial. Please go ahead.

Subhadip Mitra: Thanks for the opportunity Sir. Sir, if you could please help me with the adjusted PAT number for the current quarter.

Sudhir Arya: Can we have the next question? We will share that with you in a while.

Subhadip Mitra: Understood. Secondly, I have been observing the coal stock data at power plants and at least as you said it, it appears that since mid-



A Maharatna Company

*NTPC Limited
November 02, 2018*

October, many of the plants, especially the southern coal plants, seem to be having low stock of coal. So just wanted to inquire how is it impacting our plants in that region and what seems to be the major issue? Why the coal are stocks falling.

Sudhir Arya: Okay. I am handing it over to Shri Prakash Tiwari, our Director (Operations) who will answer this question.

Prakash Tiwari: As on date, our coal stock is 3.7 million tonnes. It has come down from a high of 6.9 million tonnes. Coal is available mainly at our pitheads and as of now the rail-fed stations are hand to mouth as far as coal availability is concerned. Therefore, we are trying to build up stock first at our rail fed stations. In last few days, we have been receiving more coal than the consumption. We are receiving in excess of 5.5 lakh tonne coal every day. That is the scenario as of now.

Subhadip Mitra: So just, wanted to understand, is the issue an issue of coal production or is the issue more on the freight and the railway side? Because when we look at Coal India's production numbers, the production seems to be high, but the offtake is not really picking up. So I'm a little confused as to what is the missing link.

Prakash Tiwari: As of now, production is a predominant factor. It is picking up after the slump in the monsoon. It was hovering around 1.4 million tonnes on daily basis, which has touched 1.65 million tonnes in last few weeks. So Coal India is ramping up the production, and they have plans to go to, first, 1.8 million tonne and then to 2 million tonne on daily basis. The production is picking up. In addition, as far as transport side is concerned, that constraint today is not observable, but it may arise in the future when Coal India produces 2 million tonnes on a daily basis.



A Maharatna Company

*NTPC Limited
November 02, 2018*

Subhadip Mitra: So essentially, what you are saying is that the railway or the freight-related transportation is not really constrained. It seems to be more of a constraint from the coal production side. Am I right in understanding that?

Prakash Tiwari: Yes, so far, there is no constraint for consumers with regard to transportation to rail fed stations.

Subhadip Mitra: Okay. Understood. Lastly just as an observation based on the reported number, there seems to be very flattish kind of profit number? Would you be able to give me the adjusted profit number?

Sudhir Arya: Adjusted profit for H1 is Rs. 5,014.89 crore, for the current H1 FY2019.

Subhadip Mitra: Okay and what was it for last year?

Sudhir Arya: Last year, it was Rs. 5,112.59 crore. So negative 1.91%.

Subhadip Mitra: So what would be the reason for a negative growth despite the fact that we have seen more than 15% growth in the regulated equity? Why is it that we are seeing a fall in profits?

Sudhir Arya: One is that the interest cost has increased because of working capital loans which we have taken. Secondly, disincentive of Rs.821 Crore in the current H1 as compared to previous H1 disincentive of Rs.493 crore.

Subhadip Mitra: So this is loss of fixed charges due to lower DC. Am I right in understanding that?

Sudhir Arya: Yes, you are.

Subhadip Mitra: So this is Rs.821 Crore in the current quarter or for the first half?

Sudhir Arya: In H1.



A Maharatna Company

*NTPC Limited
November 02, 2018*

Subhadip Mitra: In H1 and what was the same figure for last year?

Sudhir Arya: Rs.493 crore.

Subhadip Mitra: So actually, the recovery of this incentive has gone up Y-o-Y, but I was of the understanding that barring Unchahar and Mauda the other plants station DC will probably be better on Y-o-Y. Where is the mismatch?

Sudhir Arya: You must also appreciate that Unchahar was available in the previous H1 on full basis. Previous H1, there was no disincentive in Unchahar. This year, Unchahar has Rs.261 crore disincentive.

Subhadip Mitra: I see. So out of this Rs.821 crore disincentive in H1, Rs.261 crore is only Unchahar?

Sudhir Arya: It is on account of Unchahar only because that has not come on stream. In the next quarter, it will be coming back on stream and we should be able to recover some part of it.

Subhadip Mitra: Understood. But even if I adjust for this Rs.261 Crore out of Rs.821 crore number, that is still a pretty large component of disincentive that is there. So these would be with regard to which plants?

Sudhir Arya: With regard to some plants where machine was not available because we had planned shutdown in those stations.

Subhadip Mitra: So would this be because of coal or because of maintenance?

Sudhir Arya: Because of planned outages.

Subhadip Mitra: These are planned outages.

Sudhir Arya: Yes.



A Maharatna Company

*NTPC Limited
November 02, 2018*

Subhadip Mitra: So again, if I go back to your commentary in the first quarter, what you had mentioned was we were looking at a higher amount of under-recovery in first quarter because a lot of planned maintenance had been preponed to the first quarter. Now again, we are looking at a similar amount of disincentive coming in the second quarter. I am unable to understand that because every year, I think, normally around 2Q, we tend to go under planned maintenance. So wouldn't the under recoveries number largely should be a stagnant number? And I believe 2Q should have seen lower under-recoveries because we'd already taken shutdowns in the first quarter.

Sudhir Arya: It is lower by Rs.160 Crore if you compare Q2 with Q1. We are comparing H1 with H1 right now.

Subhadip Mitra: Okay. Therefore, I think it will be very helpful for us if you can give us the Q2 figures because then it becomes a little easier for us to compare it apple to apple.

Sudhir Arya: For Q2, disincentive variance is Rs.140 Crore.

Subhadip Mitra: Variance between last year and this year's figure Rs.140 Crore. So it is minus Rs.140 Crore, vis-à-vis last year.

Sudhir Arya: No, higher.

Subhadip Mitra: It is higher by Rs.140 Crore vis-à-vis last year. And what was the number last year then? If you can help me with that, then I can get to the overall number.

Sudhir Arya: It was Rs.190 crore last year and Rs.330 crore in the current year.

Subhadip Mitra: Okay. So 2Q 2019 is Rs.330 crore?



A Maharatna Company

*NTPC Limited
November 02, 2018*

Sudhir Arya: In this also, you have to factor that Unchahar was not there in the previous Q2. This year, the Unchahar factor is there.

Subhadip Mitra: Right. So out of this Rs.330 crore, Unchahar would be roughly how much?

Sudhir Arya: Rs.130 crore in this quarter and Rs.261 crore in H1.

Subhadip Mitra: Understood. So, again coming back to the question that I asked that if the planned maintenance shutdowns had been preponed to the first quarter, why are we looking at these kinds of under-recoveries again coming back in the second quarter, which are leading to effectively a very flattish number on a Y-o-Y basis because last year also, in second quarter, you would have taken planned shutdowns.

Prakash Tiwari: There are 2 components. One is related to availability of coal and other is due to planned outages and some other problems in stations. Therefore, it is a combination of both, planned outage and the fuel shortage.

Subhadip Mitra: Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Puri from Deutsche Bank. Please go ahead

Abhishek Puri: Sir, this kind of under-recovery has been continuing for you and will probably end up with again Rs.1,300 Crore- Rs.1,400 Crore of under-recovery towards the end of the year at this run rate. I think at the beginning of the year, you mentioned at the Analyst Meet, that this will be near 0 towards end of the year. So what are the steps that we are taking to cut this down?



A Maharatna Company

*NTPC Limited
November 02, 2018*

Prakash Tiwari: We have worked out a plant-specific plan where at the end of the financial year, it will be restricted to maximum of Rs.600 Crore.

Abhishek Puri: Rs.600 Crore due to coal or due to outages?

Prakash Tiwari: It will be a combination of both.

Abhishek Puri: Okay. Rs.600 crore is total, you are saying?

Prakash Tiwari: Whatever is the disincentive today, at the end of financial year, it will be restricted to Rs. 600 crore. It is not going to be any figure like Rs.1,400 crore or somewhere there.

Abhishek Puri: So you are at Rs.821 crore, and you are saying by end of the year, it will be Rs.600 Crore? So what are the steps that we haven taken in terms of reducing this, sir? Because till now also, as the previous participant also mentioned, coal at various plant is showing Nil inventory? What are the steps that the management has taken?

Prakash Tiwari: Yes, in many of the plants, the fuel cost under-recovery is attributable to fuel availability and we have taken measures to improve it. Recently, Coal India has offered us 5 million tonnes of coal in addition to fuel supply agreement. This is going to materialize very soon and the process of importing coal is on. We also expect that when our overhauls are over, machine availability will be better and this will result in overall curtailment of fixed cost under recovery to under Rs.600 crore.

Sudhir Arya: Plus what Director (Operations) has not mentioned is that Unchahar will also be back on stream in the third quarter. There disincentive will disappear in Q3 and Q4.

Abhishek Puri: What happens to Badarpur? We will absorb the entire cost and that under-recovery will remain or how does that work?



A Maharatna Company

*NTPC Limited
November 02, 2018*

Sudhir Arya: For Badarpur plant, we are going to do the auctioning for the power plant machinery and we are expecting an equivalent amount of book value. Therefore, to that extent, it is going to offset.

Abhishek Puri: And Unchahar, when is it starting? Earlier date was October, right?

Prakash Tiwari: Unchahar, we will bring by December 15.

Abhishek Puri: Okay. When is the imported coal coming, 5 million tonnes tender is out, but what is the status for that?

Prakash Tiwari: Commercial bid is under evaluation. It will depend on placement of order and then it will take another 2 months to get the supply.

Abhishek Puri: Understood. My second question is on the capacity commissioning. We have already done 800 MW as of now as against the full year target of 4,880 MW. What is the status of the plants and do you think that they can actually be commissioned when there are transportation linkage issues in many of them?

S.K.Roy: We have capacity addition plan of around 4,000 MW. That is COD. 800 MW capacity at Kudgi has already been declared commercial and balance would be completed by the end of financial year. That means capacity addition will be done in time.

Moderator: Thank you. We will move to our next question, which is from the line of Sumit Kishore from J.P.Morgan. Please go ahead.

Sumit Kishore: My first question is again related to this Rs.600 crore of plant-specific target that you have. Could you give us a breakup of how much is related to coal-related under-recoveries and how much is related to machine availability? Because if I understand, Unchahar itself will account for



A Maharatna Company

*NTPC Limited
November 02, 2018*

almost Rs.350 Crore of under-recovery if it comes by middle of December 2018.

Sudhir Arya: Other than Unchahar, some of the stations will have this problem of under-recovery. Our estimate for Mauda is around Rs.140 Crore.

Sumit Kishore: What is the year-to-date figure as well, if you can keep mentioning?

Sudhir Arya: For Mauda it is around Rs.214 crore. It is likely to come down to Rs.140 crore.

Sumit Kishore: Okay. Other plants?

Sudhir Arya: And then some other plants, though now, they're showing under-recovery. Like Solapur is showing under-recovery of Rs.68 crore. We are likely to end up at around this same figure. Kudgi is showing some under-recovery, which is likely to be restricted to Rs.25 crore.

Sumit Kishore: Sorry, which plant?

Sudhir Arya: Kudgi in Karnataka. Then, Simhadri as on date showed under-recovery of Rs.86 crore, which is likely to be reduced to Rs.20 crore.

Prakash Tiwari: So we have made a plan whereby under-recoveries will be controlled with better machine availability and better fuel availability. Therefore, we intend to restrict it to below Rs.600 crore in this financial year. A major chunk will be, of course, coming from Unchahar plant, which will remain there.

Sumit Kishore: Okay. So if I understand this, close to about Rs.185 crore of fuel-related under-recovery is coming from Mauda, Kudgi and Simhadri and almost Rs.350 crore is from Unchahar. So all the balance, machine-related and



A Maharatna Company

*NTPC Limited
November 02, 2018*

availability-related under-recovery will be recouped by the end of the financial year?

Sudhir Arya: Yes, that is what we expect.

Moderator: Thank you. We would move to the next question, which is from the line of Venkatesh Balasubramaniam from Citibank. Please go ahead.

Venkatesh B: Sir, my first question is specific again to the coal-related under-recovery. Now last year, we had almost like Rs. 800 crore plus of under-recovery. Therefore, this coal-related problem should have been very apparent to the management last year itself. So why didn't the company last year itself take the step of thinking about importing coal? Moreover, even now, when you are importing coal, why is the tender so tiny? Why are you importing only 2.5 million tonnes? Why is not there a target that "let's go and import 10 million tonnes in 1 block," with the intention that we should have 83% availability in all our power plants? So why is this being done in smaller blocks? Is the government preventing you from importing more coal? Because again, the government does want to prove that how India was coal surplus around 1 year back. So what is preventing you from importing more coal?

Sudhir Arya: Board has approved the import of coal to the tune of 5 million tonnes in 2 tranches of 2.5 million tonnes each. Therefore, for all the tranches, bids have been opened, and are in the process of evaluation. Let us see how it all shapes up. Rate reasonability etc. has to be established.

Venkatesh B: Sir, because are we also thinking about the slightly longer-term plan here? Because the last 2 years, it is very, very clear that NTPC cannot really depend on Coal India. Their production is very unpredictable. Sometimes, they will deliver enough and more coal. Sometimes, they will not deliver enough coal. In addition, NTPC invariably gets into



A Maharatna Company

*NTPC Limited
November 02, 2018*

trouble because of this with their coal availability issue. Secondly, again, Indian Railways is not very dependable so is there a longer-term structural plan being developed that, irrespective of what happens to coal production in the country, NTPC does need to have a longer-term plan of continuous import of coal so that you can get to that 83% coal availability on a sustainable basis? That is my first question.

Prakash Tiwari: Yes, we have a plan. We utilize coal in a flexible manner from any source to any plant of requirement. In addition, this is a very flexible plan and reviewed on daily basis and due measures are taken, so that none of our stations are short of supplies. I would like to believe that with Coal India achieving 2 million tonnes of production on daily basis and with railway inducting almost 1,000 wagons every month in coming months, the situation would improve. We have understanding with the railways, as you might know; we have given them some advances. Therefore, railways will always be forthcoming in assisting us in meeting our requirement.

A.K. Gupta: I just want to add something on this. So when we talked about our long-term plan, we have 3 strategies. Number one, as Director (Operations) talked about that we are continuously striving to increase full delivery as well as railway connectivity. We have been talking to railways to have more and more rakes come in. Second strategy is that we have taken up with CERC as a part of the new regulation, that since we do not have any realistic possibility of 85%, we have requested CERC that for rail-fed stations, the availability numbers should come down from 85% to the level of 68% to 70% and I think it is a very strong case for us to really pursue with CERC. We will put up our request to them, and let us see how CERC reacts on that in terms of new regulation. We are also increasing our own mine coal production. If you look at last year number, it was 2.68 million tonnes. This year, we are going to do 7



A Maharatna Company

*NTPC Limited
November 02, 2018*

million tonnes. So there would be a marked increase in next year also. So these were the 3 strategies we wanted to share with you. One is to increase coal delivery and railway connectivity. Second is to increase our own mine production and third is to take it up with the regulator that DC should be realistic. So I think these are the 3 strategies we are working on.

Venkatash B: Okay. Sir, I had a second question, which was related to the GCV issue. It has been a very long time now since the CEA gave an advisory that there is a loss of GCV. So it has been out for a long time, but it does not seem like CERC has any inclination and is not in a hurry to give you compensation for that loss of GCV. It seems like they are trying to postpone this to the next tariff regime, so that whatever they give you, they will take it away some other way because that is a feeling which we are getting. What is the reason they are not giving you something which is very much due to you? Because you have lost money on account of this over the last few years since the time you started accounting it on as-received basis in your numbers.

A.K.Gupta: Okay. Let me respond to you on this. You see, as you rightly said, the CEA has given its recommendation and there is a process which CERC follows. In fact, CERC has admitted the petition for maintainability. They had given the order that it is maintainable against which the beneficiary has gone to APTEL and APTEL also did not stay that order and has allowed CERC to go on with the hearing. So there is a process being followed by CERC. I think they need to hear both generators as well as beneficiary and I'm very sure and have full faith in the regulatory system of the country.

Moderator: We will move to our next question, which is from Rahul Modi from ICICI Securities. Please go ahead.



A Maharatna Company

*NTPC Limited
November 02, 2018*

Rahul Modi: Sir, this is Rahul this side. Sir, a couple of quick questions. So firstly, can you just help us with the reason for the increase in the receivables?

A.K.Gupta: Against Rs. 45,000 crore of billing this year, we have been able to collect Rs.39,500 crore. Actually, if you look at even the last year's figures, and if you take out that income tax refund, which we got last year, the trend is similar. In the second half of the year, we get more recoveries. There are few states where there are problems. One being Andhra Pradesh; second being J&K; third being UP. In fact, for Andhra Pradesh, because we were actually having many outstanding dues with regards to our plants as well as for NSM. We had given a regulation notice to AP and let me share with you that within a week's time or before this regulation notice expired, we got Rs.1,850 crore. With that, the AP is now in a much better situation than it was earlier. With J&K, we have personally visited there. There is assurance from them by November end they will clear their dues. At the same time, we have also decided that we will ensure regulation notices for these defaulting agencies. In fact, the matter was discussed at Ministry Level and they have issued directions and written to all the principal secretaries for clearing out these dues. I think this situation will improve in the coming months.

Rahul Modi: Sure. Sir, one more question. Sir, it's been quite a while that Mauda has been commissioned, and they are not able to even maintain 85%. I believe coal would not be the only problem because the plants around that area are still getting coal. So what is the typical problem that we are facing there? What kind of solutions are we looking?

Prakash Tiwari: In Mauda, as regards to availability of coal, Coal India has now allowed us to lift coal from mine, which is very near to Mauda. In fact, we have now coal supply agreement for Mauda both from WCL and MCL and



A Maharatna Company

*NTPC Limited
November 02, 2018*

with this new development, I hope coal availability will improve for Mauda. This is a new development. Coal India has come forward to help us in this regard.

Rahul Modi: Sure. Sir, just lastly, have we paid any more advances to railway?

Sudhir Arya: Yes, recently, we have paid Rs.2,000 crore to them to extend that agreement. The benefit to us is that we have locked in previous freight. You would have read it yesterday that railways have increased the freight on coal. Therefore, the benefit to NTPC is that we are still governed by the old freight rates.

Rahul Modi: Okay, fair enough. Sir, lastly, what is the PLF incentive this quarter and H1?

Sudhir Arya: The incentive figure is Rs.162 crore in the current H1, and it was same in the previous H1. Therefore, there is no change.

Moderator: Thank you. The next question is from the line of Inderjeet Singh Bhatia from Macquarie. Please go ahead.

I.S.Bhatia: One question from my end. Can you put some numbers as to how much stressed assets you are looking at either in megawatt terms or in rupee terms? Second, there seems to be change of strategy that earlier we used to only talk about taking projects with complete PPAs done. Now we are looking to take assets that do not have full PPAs. So why is this change in thought process and what we think is the likely step for us? How do we do the tie-ups? If the tie-ups are not available, then how do we deal with this kind of plans? Thank you.

A.K.Gupta: Okay. So one thing, which our company has decided, is that when we look at the stressed assets, we would look at NCLT cases. This is primary fundamental thing and we have requested Ministry of Power and



A Maharatna Company

*NTPC Limited
November 02, 2018*

other ministries that it has to be a fast process in NCLT, so that we will be able to have fair assessment of whatever bids we are able to put. I would not like to put any kind of cap on what we can acquire. Nevertheless, we are ready to look at all financially viable projects where we are sure of selling power in the market, either through a long-term PPA or a short-term PPA or even through market. Therefore, we are going to pick up those projects, which are fundamentally closer to the mines and where the variable charge will be lower so that it will be possible to sell that electricity. In case of investments, which we make for a Greenfield project, certainly, we cannot move without PPAs. However, I think we are expecting a very low cost of acquisition for the stressed projects. We will try to see that whether we can sell that power and our decision would be based on that.

Moderator: Thank you. We will move to our next question, which is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, one book keeping question. Why there is a sharp increase in other expenses during the quarter?

Sudhir Arya: Sharp increase in expenses? Which expenses?

Mohit Kumar: Other expenses has gone up from Rs.1,597 crore to Rs.1,997 crore if you look at Y-o-Y numbers.

Sudhir Arya: It is because of the exchange rate fluctuation and that does not hit the bottom line because we treat it as regulatory asset.

Mohit Kumar: The second question, sir, can you just update on the status of the FGD order once again, how much you ordered, how much is in pipeline?

Sudhir Arya: Our Director (Technical) will be giving you the details.



A Maharatna Company

*NTPC Limited
November 02, 2018*

P.K.Mohapatra: We have worked out a detailed plan. Until now, we have commissioned 500 MW in Vindhyachal and presently 31 GW is under construction. By December, we'll complete awarding the remaining 30GW. So that is overall 60 GW and we will meet all the deadlines.

Mohit Kumar: Sir, last question, so what is status of Rajasthan Power Plant?

A.K.Gupta: Which power plant?

Mohit Kumar: Rajasthan's Chhabra Power Plant, sir?

A.K.Gupta: Yes, Rajasthan Chhabra power plant. Actually we have again extended MoU with Rajasthan Government and I think we have still not lost all the hopes on Chhabra.

Moderator: Thank you. Due to time constraints, that was the last question. I now hand the conference over to Mr. Sanjay Jain for closing comments.

Sanjay Jain: Sir, I had one last question on interest costs that have gone up. Could you quantify what was it because of the increase in working capital and advances to railways, I mean, which was not passed through in the revenue?

Sudhir Arya: Rs.167 crore approximately.

Sanjay Jain: Okay, Sir. Sir, thank you. That was my question. Thank you so much for this call and would you have any closing comments?

Sudhir Arya: Regarding this interest cost, because the freight has increased and consumers will be getting benefit of the old rates, we may be going to CERC to see to it that this interest cost is now passed on to beneficiaries because they are getting the benefit of lower freight, so they should bear the cost. That is what we will go to CERC for.



A Maharatna Company

NTPC Limited
November 02, 2018

Sanjay Jain: Great, Sir. Thank you so much.

Moderator: Thank you. On behalf of Motilal Oswal Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.